
MONGOLIA

Multi-annual Indicative Programme 2021-2027

Acronyms and Abbreviations

ADB	Asian Development Bank
AIF	ASEAN Infrastructure Fund
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BEPS	Base erosion and profit shifting
CBOs	Community Based Organisations
CHP	Combined Heat and Power
CSOs	Civil Society Organisations
CSO-LA	Civil Society Organisations and Local Authorities
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
EITI	Extractives Industries Transparency Initiative
ER	Expected result
EU	European Union
EFSD+	European Fund for Sustainable Development
FA	Financing Agreement
FMPIM	Forest Management Planning Implementation Monitoring
FUG	Forest User Groups
GDP	Gross Domestic product
GIs	Geographical Indications
GoM	Government of Mongolia
GRB	Gender Responsive Budgeting
GSP	Generalised Scheme of Preferences
HoM	Heads of Mission
HRDCS	Human Rights democracy Country Strategy
IMF	International Monetary Fund
INFF	Integrated National Financing Framework
JP	Joint Programming
MFF	Multi Annual Financial Framework
MIP	Multi Annual Indicative Programme
MoF	Ministry of Finance
MNCCI	Mongolian National Chamber of Commerce and Industry
MPP	Mongolian People Party
MS	Member (s) State(s)
MSDV	Mongolia's Sustainable Development Vision
NDC	National Determined Contributions
NFI	National Forest Inventory
NPGE	National Program on Gender Equality
OBI	Open Budget Index
OBS	Open Budget Survey
ODIHR	Office for Democratic Institutions and Human Rights (ODIHR)
ODCE	Organisation for Economic Co-operation and Development
OGP	Open Government Partnership
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement
PEFA	Public Expenditure and Financial Accountability

PFM	Public Finance Management
PUG	Pasture User Groups
RE	Renewable energy
RFI	Rapid Financing Instrument
RM	Roadmap
RoL	Rule of Law
SDGs	Sustainable Development Goals
SGM	Strengthening Governance in Mongolia
SMEs	Small and medium-sized enterprises
SO	Specific Objective
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange instrument
TE	Team Europe
TIR	Mongolia's Trade and Investment Roadmap
TRAM	Trade Related Assistance in Mongolia
TVET	Technical Vocational Education and Training
UN	United Nations
VET	Vocational Education and Training
WB	World Bank
WBT	Working Better Together
WEF	World Economic Forum
WHO	World Health Organization

1. The overall lines of EU international cooperation in Mongolia

1.1. The basis for programming

Mongolia is an emerging democratic country, situated between Russia and China. It is classed as a Lower Middle Income Country and it needs to bring sustainable development to its population and diversify its economy, which is dominated by export of raw materials, primarily to China.

As a democratic country, Mongolia is a key partner for stability and security in a region where democracy is rare. Mongolia has abundant mineral resources, including strategic raw materials for information & technology industries. The EU's political support and development cooperation partnership contribute to increasing the country's resilience in a complex geopolitical environment.

Since Communism ended in 1990, the country has moved from a centrally planned to a market-based economy. This transition has been accompanied by a significant rural-urban migration, resulting in pressing challenges with regard to housing, infrastructure, energy, transport and the environment. All these challenges have been severely aggravated by the COVID-19 pandemic.

Mongolia currently depends on coal and its industry is very energy intensive, but it has potential for greening its economy and expanding renewable energy capacity. The EU shares an interest with Mongolia in promoting the country's green and socioeconomic development through sustainable diversification of its economy. The EU can therefore aim to support sustainable development in Mongolia in a manner that integrates the EU's values and priorities, including on the Green Deal, the fight against climate change and on the digital transition. This partnership can build on the close alignment between Mongolia's developmental vision and the EU and its Member States' (MS) priorities.

Mongolia is also seeking to strengthen partnerships beyond its immediate neighbours, wanting especially to advance in the fields of trade, education, energy and technology. This approach in Mongolia's foreign relations (known as "the third neighbour policy") has contributed to raising Mongolia's international profile in the last decades and the potential for greater cooperation with the EU is already showing and can be expanded further.

The EU-Mongolia Partnership and Cooperation Agreement (PCA) entered into force on 1 November 2017. It provides the legal framework for EU-Mongolia relations and covers a wide range of issues, including political dialogue, trade, cooperation on sustainable development, cooperation in the fields of agriculture and rural development, energy, climate change, research and innovation, employment and social affairs, education and culture as well as cooperation on justice, freedom and security. Cooperation with the EU will remain guided by the 2030 Agenda and the Sustainable Development Goals (SDGs)¹, the Paris Agreement², the Addis Ababa Action Agenda³, the Global Strategy for the European Union's Foreign and Security Policy⁴, the five new priorities of the Commission for the period post 2020 and the new European Consensus on Development⁵.

¹ <https://www.un.org/sustainabledevelopment/development-agenda/>

² https://unfccc.int/sites/default/files/english_paris_agreement.pdf

³ https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf

⁴ https://eeas.europa.eu/topics/eu-global-strategy/17304/global-strategy-european-unions-foreign-and-security-policy_en

⁵ https://ec.europa.eu/international-partnerships/system/files/european-consensus-on-development-final-20170626_en.pdf

A new long-term, development strategy, known as Vision 2050, was approved by the Mongolian Parliament in early 2020. According to Vision 2050 the fundamental of Mongolia's long term development policy is green growth, and the country's economy and infrastructure will be developed based on its potential of natural resources and advantages of geographical location. The long-term development policy of Mongolia has 9 fundamental goals and 50 development targets, focusing on economic growth and social development. One of the nine goals is governance, which includes justice, with the declared objective of ensuring the independence of the judiciary. Each goal is split into 3 phases: phase I (2021-2030), phase II (2031- 2040), phase III (2041-2050).

Mongolia has a firm commitment to environment and climate action. In November 2020, Mongolia submitted its updated Nationally Determined contributions (NDCs) to the United Nations Framework Convention on Climate Change (UNFCCC). Mongolia has set a new target of reducing its greenhouse gas (GHG) emissions by 22.7% by 2030. This new mitigation target, which excludes land use, land use change and forestry (LULUCF), is an improvement on a 14% goal from its earlier intended NDC. The updated NDC includes additional sectors that were not previously considered, such as agriculture, waste, and several industrial sectors. In the energy sector, Mongolia intends to increase the use of renewable energy sources and improve efficiency of energy production.

1.2. Status of Joint Programming

The EU MS and the EU Delegation in Mongolia have developed a very close and well-functioning cooperation especially with the launch of Joint Programming⁶ as a tool of Working Better Together. At local level, the EU Embassies have embraced the development of Team Europe initiatives to identify concrete opportunities for joint implementation but also as an opportunity to open spaces for joint policy engagement with the authorities and to communicate as one.

Through the Joint Programming survey report, four major clusters of “joint interest” emerged, aligned with three of the five new priorities of the EU, which are also framing the basis for this programming. These four clusters were (i) improving public service delivery for sustainable growth; (ii) inclusive growth and sustainable jobs; (iii) low-carbon, resource efficient, green circular economy; (iv) governance, anti-corruption and transparency, human rights, and civil society. A Joint Analysis was approved by the EU and its MS in December 2020⁷.

Overall, the EU programming exercise is being conducted in continuous consultation with the EU MS and other European Development partners (i.e., EIB, EBRD). The Joint Programming and programming exercise will be moving in parallel, ensuring alignment of the Multiannual Indicative Programme (MIP) and Joint Programming priorities identified by EU and its MS. Going forward, in 2022 focus will be placed on designing and implementing Joint Sector Responses and a Joint Roadmap based on the aforementioned four clusters of joint interest .

1.3. Priority areas of the EU's cooperation with Mongolia

The Partnership and Cooperation Agreement is the legal framework that guides the EU and its Member States’ relations with Mongolia. Following consultations with Government authorities, civil society, international partners and the private sector, the EU and its Member

⁶ EU Member States that were involved in the process so far: Czech Republic, Estonia, France, Germany, Hungary, Italy, Lithuania, the Netherlands. EBRD and EIB were also involved.

⁷ <https://europa.eu/capacity4dev/joint-programming-tracker/node/1640>

States have identified Green Sustainable Development and Democratic and Economic Development as the two mutually reinforcing priority areas of cooperation for the MIP 2021-2027. The two priority areas are taking into account lessons learnt from the previous EU Multiannual Indicative Programme for Mongolia (2014-2020), such as in TVET where diversification of skills development is still much needed, in order to align the skills acquired at TVET with the labour market needs, as well as to promote more e-skills for competitiveness. In relation to value chains, it was observed that the market is the basic driver for all value chains. Without market demand, there will be no value chains. Greater focus on the private sector may be useful in the creation of market demand for any new product, as this sector has most of the marketing skills required for effective sales development. The COVID-19 crisis has also showcased that it is important to have crisis-resilient SMEs that can endure any external shocks. Strengthening the capacity of SMEs, in relation to exporting by profiting more from GSP+, adopting more green and digital operations, reinforcing their strategy planning and financial and human resources management, as well as support their access to finance, could equip private sector entities to survive such crises.

The two priority areas are also aligned with the priorities jointly identified with EU MS through the Joint Programming, as well as with the five geopolitical priorities of the European Commission. They are supporting the implementation of the 2030 Agenda and the Sustainable Development Goals (SDGs), and aligning with the fundamental goals and development policies of the Government as outlined in Vision 2050.

PRIORITY AREAS	Sector DAC Codes	Aligning with PCA	Aligning with JP Priorities	Aligning with Gov Priorities: Vision 2050	Aligning with EC priorities	SDGs targeted
1. Green Sustainable Development	Agriculture, forestry, fishing (310); Post-secondary education (114); Energy Policy (231)	Article 18, 19, 39, 44, 47, 48	P2: Inclusive growth and sustainable jobs P3: Low-carbon, resource efficient, green circular economy	G2 (Human Development) G3 (Quality of life and middle class) G6 (Green Development) G8 (Regional Development)	Green Deals Alliances Alliances for sustainable growth and jobs Alliances for Science, Technology and Innovation, and Digital	SDG 2; SDG 5; SDG 7; SDG 8; SDG 9; SDG 13; SDG 15; SDG 17
2. Democratic and Economic Development	Government & Civil Society-general (151); Trade Policies and Regulations (331)	Article 53 (f)	P1: Improving public service delivery for sustainable growth P2: Inclusive growth and sustainable jobs P4: Governance rule of law and human rights.	G2 (Human Development) G3 (Quality of life and middle class) G5 (Good Governance)	Alliances for sustainable growth and jobs Governance, Peace and Security, Human Development	SDG 5; SDG 8; SDG 16; SDG 17

1.4. Justification and context

1.4.1. Priority 1: Green sustainable development

Forestry and agriculture are two intricately linked sectors. Healthy forests produce a number of products and services, and also provide services and protection to adjacent agriculture production. Mongolia's agricultural production is dominated by nomadic herding, and accounts for about 20% of gross domestic product. Almost 40% of the population's livelihoods depend on animal husbandry and rain-fed agriculture, and 70% of herders' income on average comes from cashmere. Forest and other wooded land cover almost 11% of Mongolia's national territory, but currently the contribution of forestry to the GDP is only a mere 0.3%, indicating the enormous undervaluation of the sector. The GDP share does not count (i) informal sector, (ii) indirect income generation, and (iii) ecosystem services that agricultural systems are depending on. The potential of the forestry sector's indirect contribution to green employments is important, as it could generate more than 80,000 jobs.

A precondition for a coherent implementation of a sustainable and efficient management of forests and agriculture nationwide is improving the conditions for sustainable and market-driven forest and agriculture value chains. One very important dimension is human development through an enhancement and up-scaling of both higher education and TVET, and embedding VET within the social-economic context of policy dialogue, where Mongolian youth will have the opportunity to get the knowledge and skills which are in demand, including in the digital domain. Partnerships between government, employer and worker organisations and VET providers are crucial for building consensus on VET policy direction. Another requirement is digitalisation of government and enterprises, for transparent digital administration (e-administration), where both government authorities and entrepreneurs have access to management and market information. This would significantly increase GoM efficiency in providing requested services and controlling the policy implementation, and facilitate a transparent and efficient market, which also would reduce the risk of corruption and create a more favourable business environment.

This development can only be green and sustainable if it is supported by a green energy transition. The Mongolian industry is highly energy intensive consuming 4.5 times more energy than the EU-27 average for each unit of economic output, and mainly reliant on coal and other fossil fuels. Mongolia produces three times more CO₂ emissions per unit of GDP than the world average. The main characteristics of the Mongolian power system are: (i) extreme winter temperatures result in a high level of reliance on district heating with electricity being mainly produced by coal-fired Combined Heat and Power (CHP) plants, (ii) the country's large size but sparse population means that there is no country-wide transmission system, only one main grid around Ulaanbaatar extending southwards into the Gobi Desert plus some smaller independent grids, (iii) the small number of consumers and Mongolia's geographical isolation mean the power system is small (1.3GW of total capacity installed) and inflexible, and has only one cross-border interconnection to Russia, and (iv) energy demand is growing rapidly with 5 - 6% annual growth (pre-COVID).

Mongolia's electricity demand is projected to reach 2,700 MW by 2030, one-third of which will be consumed by the mining sector alone. The Mongolian energy sector has a high level of energy inefficiency and is carbon intense with outdated coal-fired CHP producing 74% of the total electricity consumption while 5% is produced by a handful of renewable energy (RE) plants. The remainder is imported from Russia and China. All CHP are owned by the state; generation, heat and electricity distribution networks are old, polluting and inefficient. The RE potential of Mongolia is significant and, if harnessed, could represent a significant source of cleaner electricity for Mongolia and its neighbours. The country has excellent wind resources, and good solar and hydropower resources. In addition, it has a lot of land available to develop

projects. Mongolia could export large volumes of renewable electricity in the future. However, this would require reinforcing and expanding the national and export grids. Despite its vast potential, RE development in Mongolia has been slow; RE capacity only recently started growing, reaching 276 MW in 2019. There is also a small off-grid RE capacity, mostly photovoltaic (PV) panels used by nomads. A more sustainable intervention in the sector, with a robust institutional and regulatory framework that will strengthen investment climate, will not only support Mongolia in meeting its NDC target, but also in fulfilling the 2030 Agenda and specifically SDG 7 on “Renewable Energy”.

Overall, this priority area will support Mongolia in the implementation of its development policy, to meet its NDC targets, and to place stronger emphasis on the implementation of SDGs that promote climate action (SDG 13) and environmental protection (SDG 15), quality education (SDG 4), and decent work (SDG 8).

1.4.2. Priority 2: Democratic and economic development

1.4.2.1. The judiciary

Since the 1990’s, the Mongolian judiciary has undergone a comprehensive process of change, however political influence has severely affected the independence and impartiality of the judiciary. The second reform of the judiciary which started in 2020 aims to “ensure the independence of the judiciary promote human rights, strengthen the rule of law.” This would require a comprehensive (re-)training of legal personnel, including on updated AML/CFT legislation. As reported by OSCE, problems of corruption, political/executive influence, lack of judicial independence and of public trust in the judiciary in Mongolia persists. The priority areas that have been proposed are aligned with the priorities set by Mongolia in Vision 2050 and the mutually agreed action points following the 2020 EU-Mongolia Joint Committee. The priority areas are also based on the reported shortcomings in the judiciary system: insufficient funding, political involvement and arbitrary decisions on the selection, appointment, and dismissal of judges. The proposed objectives aim to address these issues by improving the efficiency and credibility, performance and capacity of the justice system adopting a human rights-based and gender-sensitive approach. Supporting the rule of law in a region where democracy is rare is aligned with the EU’s global interests elaborated in the EU action plan on Human Rights and Democracy 2020-2024, as well as with the Human Rights and Democracy Country Strategy (2021-2024), and with SDG 16 to ‘provide access to justice for all and build effective, accountable and inclusive institutions at all levels’. Based on the findings of a survey conducted for the CSO Roadmap, CSOs consider that they can only influence the Mongolian authorities moderately, but their influence varies very much depending on the sector, as well as on the overall quality of the dialogue. However, CSOs did not highlight particularly successful engagement with the government on judiciary and rule of law reforms. Germany is financing a project implemented by GIZ on improving the performance of the Mongolian judiciary (2020-2023). The project is working on three fields of action: training of judicial clerks, digitalisation of the judicial system, working on prerequisites for implementing the legal reforms especially in civil and business law (this field of action is also concerned with combating corruption in the Mongolian judicial system).

Going forward, support for reform should be calibrated according to the level of political buy-in. When engaging in judicial reform, it will be important to prioritise sector-wide reforms, ideally relying on Venice Commission expertise. The starting point for work on this sector should be a strong analysis of political economy aspects.

1.4.2.2. Trade policies and regulations and the GSP+ scheme⁸

While Mongolia's GDP has grown in double digits, trade has grown significantly faster, evident from the trade-to-GDP ratio of 116.6% recorded in 2017⁹. However, Mongolia has not innovated and diversified its products and markets. Mineral products account for about 90% of the value of Mongolian exports, with 90% of these being exported to China. Besides, the participation of Mongolia in global value chains (GVCs) remains low, as its exports are focused on primary products.

Mongolia was granted the Generalised Scheme of Preferences (GSP+) status in 2006 and has ratified all 27 international conventions on human and labour rights, protection of the environment and good governance. Mongolia is showing a strong engagement in the monitoring process of GSP+ compliance. Progress was made in the area of child rights, in recent legislation (Child Rights Act and Child Protection Act) and efforts to implement these laws. With regard to human rights, the conclusion of the Government's assessment that a reintroduction of the death penalty would not be in line with international commitments and has therefore been dismissed is welcomed. Concerns with regard to recent legislation impacting the independence of the Judiciary and public prosecution are an issue to be monitored constantly. Overall, more efforts are needed to fully utilise the benefits of its accession to World Trade Organization (WTO) by adopting advantageous trade policy measures and by enacting implementing regulations of WTO provisions, as well as in the implementation of the 27 international conventions on human and labour rights, environmental protection, and good governance for better compliance with the GSP+ agenda.

The EU exports much more than it imports from Mongolia: in 2019 total bilateral trade amounted to EUR 562 million (a EUR 40 million increase from 2018); with only EUR 76 million of imports to the EU, but with EUR 486 million of exports the EU27 is Mongolia's 4th trade partner after China, Russia and Japan. The value of EU imports from Mongolia using GSP+ has remained relatively steady, at around EUR 17 million in 2018, or around 23% of total imports. GSP+ utilisation rates, on the other hand, are steadily increasing and are currently above 90%. In 2019, imports under GSP increased by 15.4% compared to 2018. EU imports from Mongolia under GSP+ remain concentrated on articles of apparel and textiles (87% of total EU imports from Mongolia using GSP+), yet the overall utilisation rate of trade preferences leaves some room for improvement. Mongolia is one of the beneficiary countries hardest hit by COVID-19 in terms of exports to the EU, as a reduction of 45% of imports were noted in the first half of 2020 compared to 2019.

The EU's TRAM tried to support Mongolia in effectively benefiting from further integration into regional and global trading systems, through strengthening exports capacities in specific sectors where Mongolia has comparative advantages. Since 2017, the TRAM project has provided support in the area of trade policy and facilitation, customs procedures and cooperation and export promotion. Mongolian policy makers have shown their determination in increasing and diversifying trade in non-mining sectors, increasing the export of value-added products and the usage of GSP+ benefits. An intervention in this sector under the new MIP 2021-2027, will support the implementation, among others, of SDG 8 on "Decent Work and Economic Growth", as the focus will continue being on diversifying exports and the economy, for better employment opportunities in the non-mining sector.

⁸ For the design and implementation of trade related initiatives funding will be sought by regional programmes and budget (e.g. as was the case for TRAM project).

⁹ Trade growth can largely be attributed to the development of the Oyu Tolgoi mining project, which boosted the exports of mineral products to China.

1.4.2.3. Public Financial Management

Mongolia has faced fiscal challenges due to some periods of weaknesses in fiscal discipline and PFM. The establishment of a Medium-Term Fiscal Framework (MTFF) has embedded a set of fiscal targets, however the government was not always able to follow them given recurrent challenges, and COVID-19.

In 2019, the Ministry of Finance (MoF) approved a Public Financial Management (PFM) Reform Action Plan to improve fiscal discipline by improving the quality of public investment and expenditure management and increasing transparency and accountability. The preparation of the PFM strategy and subsequent reform action plan were supported by the EU financed project Strengthening Governance in Mongolia (SGM). Along with the Strengthening Fiscal and Financial Stability Project (SFSS project) funded by the WB, this project has supported the MoF in achieving the objectives set in the Strategy and Reform Action Plan. With donors' support the MoF is pursuing further fiscal and PFM reforms medium-term result-based budgeting together with gender-responsive budgeting.¹⁰ GoM launched PEFA exercise in January 2021 (last PEFA was done in 2015). GoM is planning to update the PFM reform strategy upon PEFA scoring based recommendations in July 2021.

The EU has been supporting Mongolia's efforts in boosting employment and improving transparency in public finances. The first-ever EU Budget Support programme in Mongolia was signed in May 2020 with the Ministry of Finance. The Action is a Sector Reform Budget Support on Employment of EUR 50.8 million over four years. It builds upon the achievements of past and ongoing EU projects in the two sectors of the 2014-2020 Multiannual Indicative Programme (MIP), namely strengthening governance of revenues and improving employment opportunities. The programme is supporting the Government of Mongolia in implementing reforms, notably its Employment Policy and its Public Finance Management (PFM) sectors, including tax reforms. It is helping to improve skills for employability, to promote decent work and formal employment, to mobilise domestic resources, to increase spending effectiveness and to strengthen state and non-state actors' ability to oversee PFM. The EU is working closely with the MoF and the Ministry of Labour and Social Protection to monitor closely the progress on the reform implementations. As part of this Budget Support programme, a new project, "SDG-aligned Budgeting to Transform Employment in Mongolia," launched in December 2020 (EUR 7.4 million) to complement the Government of Mongolia's efforts to tackle Covid-19 socio-economic challenges. The project aims to support efficient, accountable, and responsive delivery of public services in the Labour and Employment sector and the strengthening of the Public Finance Management systems to accelerate the results oriented, evidence-based policies and planning and supporting institutional capacities of the system, through results-oriented budget initiatives as direct contribution to the attainment of the SDGs.

With regard to budget oversight and transparency, Mongolia has also made great strides in improving the transparency of budget information and processes over the past decade. In 2013, Mongolia joined the Open Government Partnership (OGP) to improve government transparency, accountability, and responsiveness to citizens and is currently implementing its third plan 2019-2021. CSOs are represented in the OGP national council and actively participate in the development of plans and monitoring of government commitments. Mongolia's score on the Open Budget Index (OBI), which is created based on the Open Budget

¹⁰ In the framework of the complementary measures to the Budget support operations in Mongolia funded by EU, among others, with the support from the implementing UN Agencies (i.e. the United Nations Development Programme-UNDP) linkages will be made with the Integrated National Financing Framework (INFF) and development and implementation of the SDG financing strategy, including engagement of the private sector.

Survey (OBS) data, increased by more than 20 percent, from 46 in the 2017 to 56 in 2019 (out of 100). This is a significant progress not usually achieved during one assessment period.

In the area of revenue management, the tax reform package was approved by the Parliament in March 2019. The Government of Mongolia (GOM) joined the Inclusive Framework on BEPS in 2018 to protect domestic revenue sources and promote international cooperation on taxation. The GoM is working to improve revenue mobilisation through: (i) bringing more information and transparency about revenues from natural resources on budget; and (ii) strengthening tax administration to increase transparency of tax revenues. The PFM reform program also includes implementing the EITI by putting in place rules, regulations, protocols, and reporting systems.

In the area of debt management, GoM approved in September 2020, a comprehensive plan for the strengthening of debt management following the DeMPA mission by the World Bank in April 2020. The plan includes detailed activities for improving debt management in terms of policy implementation, inclusive of tools as Debt Sustainability Analysis and strengthening the DeMPA indicators. In addition, from 2020 onwards Mongolia continues the development of its Integrated National Financing Framework (INFF), which will focus on (1) strengthening the governance structure of SDG financing and monitoring & review systems; (2) formulating an integrated national financial strategy; and (3) building capacity of key stakeholders to implement SDG financing strategies, incorporating international best practices and innovative solutions.

This priority area supports the SDG16 that calls for “promoting peaceful and inclusive societies for sustainable development, provide access to justice for all and building effective, accountable institutions at all levels”, and more specifically the target 16.6 “Develop effective, accountable and transparent institutions at all levels”.

1.4.3 Cross cutting themes

There are several important cross-cutting issues that are fully relevant to the identified priority areas of cooperation, and that will thus be fully integrated in the programmes to be developed and financed under the MIP 2021-2027, and also through thematic and regional programmes (e.g. Civil Society Organizations and Human Rights and Democracy programmes, SWITCH Asia, Erasmus+):

Digital agenda

In line with the EU’s core priorities, the digital agenda will be integrated across sectors; it will be addressed from different perspectives to maximise impact in the specific areas of intervention. New technologies offer important opportunities in the sectors covered by the MIP 2021-2027, for example in the areas of e-agriculture, e-commerce, e-learning, e-governance, IT-based public finance management and revenue collection systems. Therefore, digital transformation activities are expected to be included in the majority of the programmes to be financed under the MIP 2021-2027.

Gender equality and women empowerment

This key crosscutting issue is fully relevant to the two priority areas. In line with the EU Gender Action Plan-GAP III¹¹ through this MIP the EU in Mongolia will scale up the EU contribution

¹¹ [JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL EU Gender Action Plan \(GAP\) III –An ambitious agenda for gender equality and women’s empowerment in EU external action](#), Brussels 25.11.2020 JOIN(2020) 17 final.

to reach SDG 5 in all EU internal and external policy areas and across the 2030 Agenda. EU aims at making the EU engagement on gender equality more effective as a cross-cutting priority of EU external action in its policy and programming work. Specific activities related to promoting gender equality and women empowerment must thus be included in each of the programmes financed under the MIP 2021-2027, such as specific capacity building for women, specific funding for women-led businesses, specific TVET courses increasing job opportunities for women, awareness on gender equality/domestic violence integrated in all training targeting beneficiaries in the agriculture and natural resource sectors, gender-responsive budgeting, training on political leadership, and awareness among local authorities to promote gender equality and women empowerment. The implementation of the GAP III objectives will be supported by the first Country Gender Profile that is being developed in close collaboration with the Member States. It will be further supported by the Country Level Implementation Plan (CLIP) which will integrate with the priority areas of the MIP 2021-2027.

Youth

Given the demographic profile of Mongolia, a specific focus will be put on youth as drivers for change. There is a consensus that youth will play an important role in shaping the future of the country, hence this target group will be at the core of the EU's engagement over the coming years. Youth will be specifically targeted under all the programmes financed under the MIP 2021-2027, for example by providing training and decent jobs for youth in rural areas (in agriculture, forestry); by strengthening the regulatory framework and promoting a better business environment and access to finance for young people starting their businesses; by supporting education and training (TVET) for young people to respond to labour market needs; and by further sensitising and engaging youth in promoting good governance.

Human rights and civil society

Beyond the specific instruments earmarked for promoting human rights and strengthening civil society, a human-rights based approach will be pursued across the two priority areas as well as support and engagement with civil society, including the social partners. The adoption of the EU Roadmap for engagement with civil society in Mongolia (2021-2025) and of the Human Rights and Democracy Country Strategy (2021-2024) are aligned with the MIP priorities, and will complement and guide the implementation of actions across all priority areas.

1.5. Duration of the MIP and option for synchronisation

The duration of this MIP is of seven years, for the period 2021 to 2027. The mid-term review will be synchronised with Mongolia's planning cycle so that it takes place in 2024, coinciding with the end of the Action Plan of the GoM and in line with the end of the first-ever Budget Support Programme and the Action Plan of the GoM 2020-2024.

2. EU support per priority area and proposal of Team Europe Initiative

2.1. Priority area 1: Green Sustainable development

This priority area will promote sustainable agriculture, ensure that natural resources are effectively and sustainably administered and managed. Development of sustainable, resilient and inclusive agriculture and forestry value chains will reduce poverty in rural areas and

accelerate green regional development, by creating economic opportunities and decent jobs whilst preserving the environment, and providing equal opportunities to all genders, youth and persons with disabilities. In this context, a disaster preparedness component would only contribute to the sustainability of the agriculture and increase the climate resilience of the population, and would be an opportunity to operationalise an HDP nexus approach.

Addressing key challenges related to climate change mitigation and adaptation, forestry and natural resource management in a holistic and integrated manner will support Mongolia in meeting its NDC. Particular emphasis will be placed on strengthening the regulatory/policy framework and its implementation, which should also lead to enabling business and investment environment to ensure sustainability and transformative impact of interventions and investments under this priority area. Targeting the TVET sector in agriculture, forestry and sustainable energy value chains will decrease the skills gap on the labour market. With the focus on strengthening agriculture and forestry sectors from a value chain, regulatory/policy framework and TVET perspective, this priority area will foster sustainable rural development in Mongolia and decent job creation. Corporate social responsibility will also be promoted. Through a sustainable intervention in the above sectors, root causes of migration (including climate-induced and rural-urban migration) will indirectly be addressed. For this purpose, and to strengthen further the related actions, complementarity will be sought from Regional programmes. The development of an EU-Mongolia Forest Partnership¹² will also be considered as it is instrumental to deliver on the EU Green Deal priorities in terms of climate, energy, biodiversity, farms-to-forks, and circular economy as well as on the common objectives of green and inclusive recovery, poverty alleviation, good governance, and respect for human rights. The main objective of the EU-Mongolia Forest Partnership will be to pursue sustainable forest management and good forest governance ensuring the sustainable use of forests whilst recognising the specific needs of local communities, ensuring stable and legal business environments, and the sustainability of trade in forest products and other commodities that drive deforestation.

In addition, as outlined within the framework of the Partnership and Cooperation Agreement (Article 19), Mongolia, the EU and its Member States are committed to the development of an attractive and stable environment for reciprocal investment through a consistent dialogue, aimed at enhancing understanding and cooperation on investment issues, exploring administrative mechanisms to facilitate investment flows and promoting stable, transparent, open and non-discriminatory rules for investors. Concerning energy in particular, the EU, its Member States and Mongolia have agreed to enhancing energy security including by diversifying energy supplies and developing new, sustainable, innovative and renewable forms of energy, including, inter alia, biofuels and biomass, wind and solar energy as well as hydro power generation and supporting the development of appropriate policy frameworks to create favourable conditions for investment and a level playing field for renewable energy and its integration into relevant policy areas (Article 44 PCA). For this purpose this priority will focus strongly on improving investment climate, supporting the creation of a more favourable conditions for investors, where legislation and regulatory framework are enabling sustainable and environmentally friendly investments particularly in the energy sector (renewable energy).

It is important to note that working on strengthening the regulatory/policy framework is a cross-cutting issue for both priority areas and contributes to strengthening good governance and the rule of law.

¹² The agreement on a Forest Partnership may take different forms: a Memorandum of Understanding, a roadmap.

RISKS	MITIGATION MEASURES
Natural resource tenure and access rights of women and female-headed households remain unequal relative to men and male-headed households.	Continuous dialogue with GoM to promote gender mainstreaming in the natural resources and environment sector. Strengthen strategic collaboration with women's advocacy groups and civil society organisations.
Resource exploitation continues to disproportionately benefit few, furthering inequality.	Promotion of development policies supporting vulnerable and disadvantaged groups, incorporation of inequality measures as indicators for effective governance in the sector.
Lack of opportunities for TVET graduates in some sectors based on the high unemployed rate and the impact of the Covid-19 crisis on SMEs and foreign direct investment. Lack of efficient coordination mechanisms between public and private sector.	Increase and strengthen relationship between employers and TVET institutes/ skills development centres in order to help students build network with companies, gain relevant training and productive skilled labour to the industry. Organise enterprise forum and structure the dialogue with the government to allow the systematic involvement of the private sector in TVET and Skills Development.
Economic development is impacted by sudden changes in international commodity prices and foreign direct investment. The Government fails to comply with, or withdraws from the commitments to macroeconomic and financial stability.	Dialogue with EU will help ensure the long term perspective is considered and will support stronger National employment policies with the objectives of economic diversification out of the mineral sector.
Economic development suffers from sudden changes in international commodity prices and foreign direct investment. The Government fails to comply with, or withdraws from its commitments to macroeconomic and financial stability.	IMF reviews will help the country meeting its obligations. Dialogue with EU will help ensure the long-term perspective is considered and support stronger PFM and National employment policies and economic diversification.
Legal and regulatory framework in the energy sector not aligned with international best practices.	Provision of specific technical assistance and advisory services to facilitate reforms and strengthened policy dialogue with the GoM, in coordination with European Partners, and other relevant development partners active in the sector.

2.1.1. Specific objectives related to the priority area and

2.1.2. Expected results per specific objective

SECTORS	SPECIFIC OBJECTIVES	EXPECTED RESULTS
Agriculture, Forestry, Environment DAC code: -310	SO-1.1: Transitioning to a greener, digital and diversified economy based on sustainable and resilient eco -system and agricultural management, production, and value chains.	ER 1.1.1: Existing and new agriculture and forest value chains are more sustainable, environmentally friendly, and digital.
		ER 1.1.2: Enhanced innovative and sustainable long-term landscape and agriculture management to address food system challenges and climate stresses.
		ER 1.1.3: The trade potential of existing and new agriculture and forestry value chains is strengthened and promoted.

		ER 1.1.4: Improved women-led sustainable textile production, eco-labelling and rural entrepreneurship, particularly addressing gender reverse problem in rural Mongolia.
Environment Energy DAC code: -231	SO-1.2: Strengthening regulatory and policy framework towards climate change adaptation/ mitigation and sustainable value chain development, decent work and green energy transition.	ER 1.2.1: Improved regulatory framework with incorporated standard/best practices on sustainable landscape management and disaster risk reduction.
		ER 1.2.2: Framework for forestry sector is developed and national forest monitoring systems are in place and aligned with international standards.
		ER 1.2.3: Improved labour laws and policies, including social inclusion and protection of women, youth and vulnerable groups.
		E.R.1.2.4: Improved energy policy and regulation, with a focus on energy access and investment in sustainable, climate friendly energy to create a more supportive business environment.
		E.R.1.2.5: Enhanced civil society engagement on climate change issues to ensure the adoption of people-centred and rights-based approaches to nature resource management and green energy transition.
TVET DAC codes: -114	SO-1.3: Enhancing human development in the agriculture, forestry and sustainable energy sectors.	ER 1.3.1: Efficient, sustainable and demand-driven TVET sector with specific attention to agriculture and forestry sectors in the rural areas.
		ER 1.3.2: The tertiary education system is advanced and digitalised in line with international standards.
		ER 1.3.3: Enhanced competitiveness on the labour market for graduated forestry and agricultural students.

2.1.3. Indicators (including baseline and targets)

The main indicators, including baseline and targets for measuring the aforementioned results, are contained in the Intervention Framework attached in Annex I.

2.1.4. Possible use of blending and guarantees for investment under EFSD+

This priority area offers opportunities to use sustainable finance instruments and the EFSD+ investment facility to also help accelerate financial flows towards green, inclusive and resilient transitions. Subject to its confirmation through the implementation phase, it is expected that an indicative amount of EUR 38 million may be used to provision EFSD+ guarantee operations under this priority area through regional budget. Investments will be geared towards providing funding for large-scale forest landscape investments as well as investments into processing and sustainable landscape management, sustainable agriculture value chains, biodiversity, digitalisation. The Team Europe Initiative will endeavour to combine innovative and traditional financial tools (including blending and guarantees to de-risk investment) in order to catalyse investments from MSMEs and European investors. Moreover, the EIB may engage in interventions in Mongolia in the aforementioned areas. Interventions also through blending may be targeting the strengthening of the electricity grids to reduce CO₂ emissions, strengthen regional development, and allow for more renewables to connect.

2.2. Priority area 2: Democratic and Economic development

The main objective of this priority is to contribute to good governance, increase transparency, promote rule of law and human rights in Mongolia. This includes improving the effectiveness and accountability of public service delivery, strengthening the management of public finances and domestic revenue mobilisation, fighting corruption, reinforcing the justice system, as well as enhancing the operating environment for civil society, social dialogue and people’s participation, as well as promoting and protecting human rights. A strengthened and independent judiciary is not only important for the democratic development of the country, but also for ensuring a better business environment where both domestic and foreign entities/businesses are treated equally by the court system. This part from the priority area will seek complementarities and close cooperation with the project implemented by GIZ for the period 2020-2023 on improving the performance of the judiciary, and will utilise where relevant the lessons learnt from the project to inform future programme design under the MIP. Closer collaboration with civil society, especially under the framework of the CSO Roadmap for 2021-2025 and the Human Rights and Democracy Country Strategy (2021-2024), will be sought so as to empower civil society to promote initiatives, including: research and fact-finding exercises/assessments; forming networks to acquire a stronger voice in the development of relevant policies and laws; promoting structured dialogue across society and the networks to discuss the elements needed for an efficient and independent judiciary and how civil society can help; monitoring the implementation of international conventions and standards; engaging in training of judicial officials; and conducting public awareness campaigns.

In addition, given that Mongolia benefits from GSP+, the EU will support Mongolia in the implementation of, compliance with and reporting of on the 27 international conventions on human and labour rights, environment, and good governance. In the spirit of working with Mongolia to diversify its economy, emphasis will continue to be placed on providing trade related assistance to support Mongolia in effectively benefiting from further integration into regional and global trading system, through strengthening exports capacities in specific sectors where Mongolia has comparative advantages, focusing on trade policy and facilitation, customs procedures and cooperation and export promotion. In addition, linkages will be promoted with Priority Area 1, particularly in enhanced public investment regulation and activities in Public Investment Management in strategic priorities such as in agriculture, forestry, and energy sectors.

RISKS	MITIGATION MEASURES
Corruption remains a prevalent risk, notably through close relationships between political, judiciary and private sector circles.	Government has passed new laws and strong alignment between donor partners in PFM and judiciary reform, promoting transparency and accountability, should help reduce corruption opportunities.
Discrimination practices in the judiciary sector often prevent citizens—especially the poor and marginalized—from equitable opportunities and protection of their rights.	EU to use the GSP+ reporting mechanism and the EU-Mongolia Human Rights Dialogue and Joint Committee to: share best practices; support reforms in line with OSCE standards and Mongolia’s international commitments; advocate for the translation of Mongolia’s international commitments to practice.
Lack of political will for a genuine reform.	EU to increase high-level political dialogue with the Government. EU to continue using the GSP+ reporting mechanism and the EU-Mongolia Human Rights Dialogue and Joint Committee to: share best practices; support reforms in line with OSCE standards and

	Mongolia's international commitments; advocate for the translation of Mongolia's international commitments to practice.
Lack of financial transparency and financial oversight.	EU to advocate for the establishment of the necessary legal framework ensuring: beneficial ownership transparency; transparency of budget and expenditure. Address transparency and accountability as a theme of support for CSO actions.
Delays in adopting new policies, programmes, laws and regulations related to trade.	Organize: high level awareness raising meetings and events for Government officials; lobby group at the Parliament on specific policy, law and programme requiring special attention; capacity building activities for technical level staff of relevant Government organizations working in the area of trade.
The legislative and regulatory environment for CSOs may limit citizens' engagement in public affairs.	Enhance policy and political dialogue with the Government to promote civic participation and ensure an enabling environment for civil society.
Commitment to PFM reforms decreases or/and progress do not take place.	Technical assistance and support to improve PFM (also through Budget Support on-going programme). Policy Dialogue will help monitoring PFM reforms.

2.2.1. Specific objectives and expected results related to the priority area and

2.2.2. Expected results per specific objective

SECTORS	SPECIFIC OBJECTIVES	EXPECTED RESULTS
Judiciary DAC codes: -151	SO-2.1: Effective implementation of justice reform.	ER 2.1.1: Improved efficiency, credibility and quality of justice system.
		ER 2.1.2: The institutional and performance capacity of the judiciary in Mongolia is strengthened, with a particular focus on the adoption of a human rights-based approach to law enforcement and the increase of gender balance.
		ER 2.1.3: Enhanced enabling environment for civic society education, with particular focus on youth organisations.
Trade DAC code: -331	SO-2.2: Facilitation of trade and implementation of the Generalised Scheme of Preferences (GSP+) 27 conventions (human and labour rights, environment, and good governance).	ER 2.2.1: The Mongolian Government complied with and reported on the 27 international conventions on human and labour rights, environmental protection, and good governance for better compliance with the GSP+ agenda.
		ER 2.2.2: Improved trade policy and trade facilitation.
Public Finance Management, Domestic Revenue Mobilisation DAC codes:	SO-2.3: Strengthening domestic revenue mobilization, public finance management, and	ER 2.3.1: Sustainable public finances and stronger fiscal discipline and operational independence from politics ensured.
		ER 2.3.2: Gender Responsive Budgeting (GRB) introduced.

-151	fighting against corruption.	ER 2.3.3: Accountability is strengthened through enhanced budget transparency, citizen participation and oversight and the use of digital technologies.
		ER 2.3.4: Enhanced public investment regulation and activities in Public Investment Management in strategic priorities such as in agriculture, forestry, and energy sectors.

2.2.3. Indicators (including baseline and targets)

The main indicators, including baseline and targets for measuring the aforementioned results are contained in the Intervention Framework in attachment I.

2.3 Proposals of Team Europe Initiative

Team Europe Initiative on Sustainable nature resource management and value chain development in Mongolia

After a joint assessment (Joint Analysis) between the EU and MS, and a series of consultations with European Finance Institutions (EFIs), European private sector and CSOs, sustainable nature resource management and value chain development in Mongolia has been identified as the Team Europe Initiative (TEI). The overall TEI objective is to support Mongolia in transiting to a greener economy where rural development, decent and sustainable jobs creation and income generation is based on agricultural and forestry production, strengthened value chains, and exports through enhanced and sustainable natural resources management.

The development strategy of Mongolia (Vision 2050) sets as goals, among others: i) the promotion of green, technology-based, export-oriented agricultural products in compliance with international standards and requirements, and exports to foreign countries; ii) the creation of a forest ecosystem resilient to climate change and the implementation of a sustainable system of forest management. Aligned to this development vision, TEI will specifically focus on: i) greening existing value chains (including cashmere) and developing new value chains (forest products, e.g., timber/wood and non-timber forest products-NTFP), strengthening and promoting their sustainable export and trade potential; ii) sustainable forest management, restoration and protection of forests. The TEI is policy driven and also well aligned with the priority areas.

The TEI will utilise an integrated multi-functional approach to engaging in sustainable resource management and value chain development to address the different dimensions of the Green Deal as well as the European Commission's broader priorities including jobs and growth, digitalisation, and governance. Overall, blended climate financing solutions are required, as green infrastructure development attracts limited private sector participation and thus international institutions needs to leverage for greater private investments in order to promote climate change adaptation and mitigation.

This TEI builds on the MS and EFIs long-standing experience on the ground. Therefore, the development of the TEI take into consideration the work that has been done in the past and is currently on-going by MS and their development agencies/banks, and will be based on synergies under such on-going and upcoming initiatives.

The TEI is fully aligned with the four identified joint programming priorities and with the MIP 2021-2027. Priority area 1 Green Sustainable development is expected to entirely contribute to the TEI, with trade and PFM related actions under priority 2 also to complement the TEI in the area of strengthening the export potential of the agriculture and forestry value chains as well as enhancing public investment management in agriculture and forestry. This would indicatively encompass around EUR 20.1 million, thus 65% of the EU MIP allocation. In addition to the contribution from this MIP, additional investments are expected to be mobilised through the EFSD+.

The EU's indicative contribution to this TEI (EUR 20.1 million) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

It is worth noting that a "Sustainable and Resilient Eco-system and Agriculture Management in Mongolia" (STREAM Mongolia) project, following a Team Europe approach, will take place between 2021-2023 under the framework of the joint GCCA+/DESIRA initiative. This project is jointly funded by the **EU** and **Germany/BMZ** under its on-going SPACES project (see below). It will be implemented by **GIZ** in the lead in collaboration with a consortium of European universities led by the **Czech university** of Mendel involved on research aspects in cooperation with Mongolian universities and TVET institutions, and with France's engagement on capacity building for Geographical Indications with expertise through **French NGOs and French state institutions (AVSF, INAO, CIRAD)**. The initiative will contribute to sustainable and innovative ecosystem management in Mongolia through a community approach focused on landscape management of forest and steppe ecosystems resulting in community awareness and capacity for long-term landscape management.

MS and EFIs initiatives to be linked with the TEI are outlined below (non-exhaustively):

France organises and finances, at least once a year, a seminar where French farmers and entrepreneurs visit Mongolia to exchange with their counterparts on ways to improve farming methods and productivity in the Mongolian agro-food sector. The French Facility for Global Environment finances the activities of AVSF in Mongolia, in the strengthening of local livestock farmers' activities and especially in the production of sustainable cashmere and yak meat. In addition, France has established the **Food Aid Fund (FAF)** whose main purpose is to contribute to the food security of the country, and reducing the vulnerability of the population and fighting poverty in rural areas. Since its creation, more than 300 projects have been funded across Mongolia's 21 provinces. The proposed idea is that FAF's target locations are also the TEI targeted locations to ensure a holistic approach where the interventions in the value chains will be coupled with financial support to private sector to implement smaller-scale projects that will contribute to add value, rural development and decent jobs creation.

Forest management area, restoration and protection of forests, as well as business model for forests, is where the **Czech Republic** will put emphasis on its involvement and engagement under this TEI, through the involvement of its experts. Except for the work that will be carried out through STREAM project, an on-going project (2021-2023) between the Czech Academy of Sciences and Mongolian Institute of Geography-Geoecology (IGG) "CO₂ dynamics from a forest on underlying permafrost area in a warming climate region" provides a good scientific base for Team Europe in Mongolia.

Germany implements programmes via GIZ and KfW that pursue a strong livelihood component, geared towards creating incentives for sustainable natural resource management (Supporting Protected Areas for the Conservation of Ecosystem Services – SPACES implemented by GIZ and Biodiversity and Adaptation to Climate Change by KfW). Recent support through GIZ specifically aimed to mitigate GHG-emissions from deforestation and land-use change, promote carbon capture and carbon stocks, and foster sustainable forest management.

EIB stands ready to bring on board its technical expertise, know-how and financing support in the forestry sector (most notably drawing on the lessons learnt of the EUR 2 billion forestry portfolio in Inner Mongolia Autonomous Region of Peoples Republic of China). The EIB financing would remain aligned with the priority sectors of the EU Green Deal and Sustainable Growth and Development; more specifically, the EIB will focus on the climate and environment. Priority sectors would remain: forestry and sustainable agricultural practices & bio economy, clean energy & energy efficiency, mobility, urban-rural linkages.

Possibilities are explored with EBRD in private sector engagement and export promotion.

3. Support measures

3.1 Measures in favour of civil society

A new Roadmap for engagement with CSOs has been finalised and endorsed by the EU HoMs in February 2021 for the period 2021-2025. It is important to highlight that the 3 pillars of the Roadmap are aligning with the priority areas of the MIP for 2021-2027. Therefore, cooperation with civil society will be expanded using as a basis the Roadmap and the MIP. In addition the lifetime of this roadmap will allow coordination and alignment with several EU strategic documents. Firstly, with the EU Action Plan on Human Rights and Democracy 2020-2024 which calls for increased engagement with civil society. Secondly, with the 2017 Conclusions on EU engagement with civil society in external relations, calling for a more strategic engagement with CSOs to be mainstreamed in all external instruments and programmes and in all areas of cooperation. Thirdly, with the EU Gender Action Plan (GAP) III 2021-2025, calling for closer cooperation with CSOs on gender-related issues. Fourthly, with the EU-Mongolia Partnership and Cooperation Agreement's calls for promoting effective dialogue with organised civil society and for its effective participation (Article 52).

CSOs, including the social partners, will be an important implementing partner in the two identified priority areas of this MIP. Concerning specifically Priority Area 1, the EU will engage in reinforcing the civil society organisation by including them in the interventions design and management, reinforcing their role in delivering local services related to green sustainable development, and to support them in advocating for a stronger regulatory framework and its implementation. Another key area where focus will be placed is in enhancing relations between civil society and local authorities, mainly through the CSOs programme. The creation of stronger links and interaction between civil society and private sector will also be emphasised through interventions in priority area 1. With regard to Priority Area 2, civil society can play a key role in ensuring transparency and accountability of the Government's actions, on informing citizen about their rights and raising awareness on human rights issues, as well as highlighting any concerns related to the implementation of the 27 GSP+ international conventions that Mongolia has ratified.

Resources specifically earmarked for measures in favour of civil society would be more focused on the implementation of the new CSO roadmap 2021-2025, whilst also maintaining a high degree of complementarity with the identified priority areas of the present MIP in terms of thematic focus. Important crosscutting issues like gender, people with disabilities, human rights, could also be considered for support either by thematic budget lines or under these measures in support of Civil Society.

3.2 Cooperation facility

A cooperation facility will be crucial for engaging with its partners and target audiences. The cooperation facility will be used to:

- Support dialogues with youth and women, ensuring systematic consultations are in place for both programming and implementation.
- Support policy dialogue (through research and studies; the organisation of events and conferences; the set-up of fellowships and exchange platforms to support sectoral dialogues) with the GoM as well as with relevant stakeholders (i.e., private sector, the European-Mongolia Chamber of Commerce, CSOs etc.) to monitor and contribute to the implementation of key reforms.
- Support institutional building and capacity development in all priority areas of the MIP, including through technical assistance and exchange of public expertise, using Twinning and TAIEX mechanisms.
- Support the participation of Mongolia in EU programmes and cooperation with EU Agencies.
- Support and facilitate the current Joint Programming process and Team Europe coordination in Mongolia with EU Members Sates and relevant partners such as the EIB and EBRD, as well as other like-minded partners.
- Support the preparation, implementation and evaluation of the EU cooperation and overall engagement in Mongolia, including via adapted technical assistance.
- Support to facilitate Joint Programming/Team Europe coordination at country level.
- Support the implementation of the gender targets identified in the Country Level Implementation Plan to implement the GAP III, as well as the human rights and democracy country strategy.
- Finance strategic communication activities and fight against disinformation as well as visibility actions on EU cooperation and public diplomacy specific interventions, including economic diplomacy, to promote EU policies as well as its multilateral agenda in Mongolia by reaching out to next generation of leaders, political and decision makers, multipliers, stakeholders, the cultural sector and the wider public.

4. Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Mongolia and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Mongolia.

Priority area 1 - Green Sustainable Development	EUR 18 million	58.1% of total
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Priority area 2 - Democratic and Economic Development	EUR 10 million	32.2% of total
Support measures	EUR 3 million	9.7% of total
TOTAL for initial period	EUR 31 million	

Attachments

1. Intervention logic framework
2. Donor matrix showing the indicative allocations per sector (*for latest available year 2019*)

ATTACHMENT 1 - INTERVENTION LOGIC FRAMEWORK

Priority area 1 : Green Sustainable Development
DAC Sector Codes: Agriculture, Forestry, Fishing (310); Post-secondary education (114); Energy Policy (231)
Policy marker: Gender equality, Disaster Risk Reduction, RIO markers (combat desertification, climate change mitigation, climate change adaptation), Aid to environment

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
Specific objective 1 (SO 1.1): Transitioning to a greener, digital and diversified economy based on sustainable and resilient eco-system and agricultural management, production, and value chains.				
ER 1.1.1: Existing and new agriculture and forest value chains are more sustainable, environmentally friendly, and digital.	Number of agroecological product value chains developed with EU support.	0 (2021).	At least 4.	Final reports from EU-funded related projects.
	Number of climate and environmentally friendly value chains that support food system with EU support.	0 (2021).	At least 5.	Final reports from EU-funded related projects.
	Number of (a) jobs, (b) green jobs supported/sustained by the EU. Disaggregation by sex, age and disability. [EURF, Level 2, Number 13]	0 (2021).	TBD, based on the methodology of calculation chosen.	Final reports from EU-funded related projects.
ER 1.1.2: Enhanced innovative and sustainable long-term landscape and agriculture management to address food system challenges and climate stresses.	% of individual and smallholders practicing sustainable agriculture (climate-smart agriculture) with EU support.	0 (2021, No official data available).	7%.	Final reports from EU-funded related projects.
	Number of people from the working age population employed in the agriculture and forestry sectors. Disaggregation by sex and age.	290,160 in 2020 (of which 126,297 women, 163,862 men, 86,461 youth aged 15-34).	356,860.	National Statistics Office data.
	Number of livestock (all type) in the country.	67 million (2020).	60 million.	National Statistics Office data.

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
	Number of Aimag and Soum Territorial Development Plans incorporating sustainable landscape management.	46 soums of 20 aimags approved their Soum Territorial Development Plans by the Citizen's Meeting (2020).	175 soums of 21 aimags approved their Soum Territorial Development Plans adopted (one per aimags).	Agency for Land Administration and Management, Geodesy and Cartography https://en.gazar.gov.mn/
ER 1.1.3: The trade potential of existing and new agriculture and forestry value chains is strengthened and promoted.	Export revenue from cashmere (including yak down and camel wool).	EUR 212 million (2021).	EUR 329 million.	National Statistics Office data; Final reports from EU-funded projects.
	Export revenue from agriculture products (animal and food products).	EUR 348 million (2020).	EUR 540 million.	
	Export revenue from forestry-derived products.	EUR 291,000 (2020).	EUR 334 million.	
ER 1.1.4: Improved women-led sustainable textile production, eco-labelling and rural entrepreneurship, particularly addressing gender reverse problem in rural Mongolia.	Number of Micro, Small and Medium-sized Enterprises applying Sustainable Consumption and Production practices with EU support. Disaggregation by sex. [EURF 2020, Level 2, Number 6].	0 (2021).	80.	SME Agency reports; EBRD reports; Final reports from EU-funded related projects.
	Number of women-led cooperatives in sustainable textile production, eco-labelling and rural entrepreneurship.	153 (2020).	200.	Data from National Association of Mongolian Agricultural Cooperatives; Mongolian; Final reports from EU-funded related projects.
Specific Objective 1.2 (SO1.2): Strengthening regulatory and policy framework towards climate change adaptation/ mitigation, sustainable value chain development, decent work and green energy transition.				
ER 1.2.1: Improved regulatory framework with incorporated standard/best practices on sustainable landscape management and disaster risk reduction.	Areas of terrestrial ecosystems under sustainable management with EU support [EURF 2020, Level 2, Number 9].	0 (2021).	3 million ha.	Final reports from EU-funded related projects.
	Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha) (Total area - hectares) [EURF 2020, Level 2, Number 2].	0 (2021).	3 million ha.	Final reports from EU-funded related projects.

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
	Number of countries with climate change and disaster risk reductions strategies developed [EURF 2020, Level 2, Number 5]	0 (2021).	1.	Local Government resolutions, strategies and action plans adopted.
ER 1.2.2: Framework for forestry sector is developed and national forest monitoring systems are in place and aligned with international standards.	Status of development of National Forest Inventory (NFI) report with updated findings.	NFI report 2017.	NFI report 2027.	Ministry of Environment Strategies and Action Plans; National Statistics Office
	Status of development of forest Management Planning Implementation Monitoring (FMPIM) reports.	No official FMPIM reports in 2021.	Published FMPI reports.	
	Forest area (ha) under sustainable forest management with EU support.	0 (2021).	1.2 million ha.	
ER 1.2.3: Improved labour laws and policies, including social inclusion and protection of women, youth and vulnerable groups.	Number of labour policies/reforms/laws including for the implementation and/or ratification of international labour standards, developed with the support of the EU.	0 (2021).	At least 3 policies/reforms/laws.	Websites of the Parliament and other national institutions; Final reports from EU-funded related projects.
ER 1.2.4: Improved energy policy and regulation, with a focus on energy access and investment in sustainable, climate friendly energy to create a more supportive business environment.	Status of development of Energy Sector Development Plan in line with Nationally Determined Contributions.	Not in place (2021).	Under implementation.	Energy Sector Development Plan
	Number of people of relevant institutions participating in capacity development measures on energy and electricity network planning and energy policy and regulation with the support of EU. Disaggregation by sex, age, and disability.	0 (2021).	All aimags and Ulaanbaatar to be covered.	Final reports from EU-funded related projects; Energy Regulatory Commission (ERC) reports.
	Number of EU-supported new or revised sustainable energy policies, programmes, or regulations.	0 (2021).	At least 3.	The new or revised sustainable energy policies, programmes or regulations.
	Share of women in EU-supported capacity development measures in the energy sector.	0 (2021).	At least 50%.	Final reports from EU-funded related projects.

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
ER 1.2.5: Increased civil society engagement on climate change issues to ensure the adoption of people-centred and rights-based approaches to nature resource management and green energy transition.	Number of CSOs participating in capacity development measures on climate change and the energy transition.	0 (2021).	At least 10.	EU CSO Roadmap 2021-2025; update of the EU CSO Roadmap; Final reports from EU-funded related projects.
	Number of government consultations and other dialogue events involving CSOs on climate change and energy issues.	0 (2021).	7.	EU CSO Roadmap 2021-2025; update of the EU CSO Roadmap.
Specific Objective 1.3 (SO1.3): Enhancing human development in the agriculture, forestry and sustainable energy sectors.				
ER 1.3.1: Efficient, sustainable and demand-driven TVET sector with specific attention to agriculture and forestry sectors in the rural areas.	Percentage of VET schools implementing competency-based programs in agriculture and forestry.	No official data available (2021) ¹³ .	80%.	Annual Reports on Labour and Social Protection of the Ministry of Labour and Social Protection (MoLSP); MoLSP reports on National Employment Programme implementation.
	Percentage increase in public-private partnerships (VET school and local agriculture and forestry industry).	No official data available (2021) ¹⁴ .	70%.	
ER 1.3.2: The tertiary education system is advanced and digitalised in line with international standards.	Percentage of VET schools using improved occupational standards, and updated (e-)curricula and training material/programmes.	0 (2021).	60%.	Annual Reports on Labour and Social Protection of the Ministry of Labour and Social Protection (MoLSP).
	Percentage of VET schools implementing agreed national quality assurance and accreditation processes.	No official data available (2021) ¹⁵ .	80%.	
ER 1.3.3: Enhanced competitiveness on the labour market for graduated forestry and agricultural students.	Employment percentage of newly graduated forestry students from education and training programmes. Disaggregation by sex, age and disability.	No official data available (2021) ¹⁶ .	70%.	Annual Reports on Labour and Social Protection of the Ministry of Labour and

¹³ Baseline data are currently not available as of 2021. However, through the on-going Budget support operations (2020-2024) in the employment sector together with the Ministry of Labour and Social Protection, collection of the relevant data needed for this specific objective will be organized and reflected in the Annual Report on Labour and Social Protection.

¹⁴ *Idem.*

¹⁵ *Idem.*

¹⁶ *Idem.*

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
	Employment percentage of newly graduated agricultural students from education and training programmes. Disaggregation by sex, age and disability.	No official data available (2021) ¹⁷ .	70%.	Social Protection (MoLSP); MoLSP reports on National Employment Programme implementation; Statistical bulletin from MoLSP.

Priority area 2: Democratic and Economic Development

DAC Sector Codes: Government & Civil Society-general (151); Trade Policies & Regulations (331)

Policy Markers: Gender equality, Trade Development, Participation development/good governance

Internal marker: Digitalisation

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
Specific Objective 2.1 (SO2.1): Effective implementation of justice reform				
ER 2.1.1: Improved efficiency, credibility and quality of justice system.	Score of Freedom House's Freedom in the World.	Score 84/100 (2020).	Expected score 86/100.	Freedom House Freedom in the World Report.
	Number of OSCE/ODIHR recommendations implemented.	Recommendations by OSCE/ODIHR not implemented (2020).	OSCE/ODIHR recommendations are implemented.	Opinion on the laws on courts, on judicial administration and on the legal status of judges of Mongolia (OSCE-ODIHR); Websites of the Parliament and other national institutions; Reports of other international organisations; World Bank Governance Index.
	Score in Corruption Perceptions Index.	Score 35/100 (2020).	Expected score 34/100.	Transparency International Corruption Perceptions Index.

¹⁷ *Idem.*

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
ER 2.1.2: The institutional and performance capacity of the judiciary in Mongolia is strengthened, with a particular focus on the adoption of a human rights-based approach to law enforcement and the increase of gender balance.	National legislation in the field of judiciary is in place and/or amended in line with international standards.	UN Treaty monitoring bodies Recommendations report non-compliance (2020).	Recommendations from UN Treaty Monitoring Bodies evidence alignment.	UN Treaty Monitoring bodies recommendations.
	Number of seats held by women in the Parliament of Mongolia.	13 (2021).	20.	Results of latest parliamentary elections.
	Score Human Rights and Rule of Law Country Score according to the Fragile State Index.	52.3 (2021).	Expected index 52.7.	Fragile State Index.
ER 2.1.3: Enhanced enabling environment for civil society education, with particular focus on youth organisations.	Number of government policies developed or revised with civil society organisation participation through EU support. [EURF 2020, Level 2, Number 29].	0 (2021).	At least 3 laws/policies.	Country score according to the CIVICUS monitor; Reports of other international organisations; Live Enabling Environment Index (EEI) rating.
	Number of grassroots CSOs benefitting from (or reached by) EU support. [EURF 2020, Level 2, Number 28].	0 (2021).	At least 5.	EU CSO Roadmap 2021-2025; update of the EU CSO Roadmap; Final reports from EU-funded related projects.
	Status of legal framework governing the work of CSOs.	Current draft laws not in line with international conventions/standards (2021).	Adopted laws in line with international conventions/standards.	UN Treaty Monitoring bodies reports/recommendations.
Specific Objective 2.2 (SO2.2): Facilitation of trade and implementation of the Generalised Scheme of Preferences (GSP+) 27 conventions (human and labour rights, environment, and good governance).				
ER 2.2.1: The Mongolian Government complied with and reported on the 27 international conventions on human and labour rights, environmental protection, and good governance for better compliance with the GSP+ agenda.	Percentage of timely submitted reports to UN and ILO monitoring bodies.	Overdue reports as of December 2020 are: 2 reports on human rights and 5 reports on environmental protection.	Reporting is on track 100%.	GSP+ monitoring report; UN Treaty and ILO Monitoring bodies

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
	Improvement in implementation of the international conventions on human and labour rights, environmental protection, and good governance.	Number of issues currently (2021) identified by the UN and ILO monitoring bodies	Number of issues identified by the UN and ILO monitoring bodies that are addressed.	Reports/recommendations
	Number of CSOs monitoring the implementation of the 27 conventions on human and labour rights, environmental protection and good governance benefitting from (or reached by) EU support.	0 (2021).	At least 2 CSOs (1 CSO on human/labour rights and 1 CSO on environmental protection).	EU CSO Roadmap 2021-2025; update of the EU CSO Roadmap; Final reports from EU-funded related projects.
ER 2.2.2: Improved trade policy and trade facilitation.	Harmonisation of the Mongolian trade legal framework with WTO requirements.	Law on foreign trade and antidumping and countervailing regulation under drafting; Safeguard regulation adopted (2021).	Following legal acts drafted and/or adopted: regulation on licensing procedures, modernized customs law, law on non-food product safety, technical regulations on different SPS and TBT measures.	WTO Trade Policy Review report; Official Gazette; Websites of issuing authorities; https://legalinfo.mn ; https://mongoliatraderportal.gov.mn
	Number of processes related to partner country practices on trade, investment and business, or promoting the external dimension of EU internal policies or EU interest, which have been influenced [EURF 2020, Level 2, Number 15]	0 (2021).	At least 5.	Final reports from EU-funded related projects.
	Export of goods as percentage of GDP.	As of end 2019 merchandise export is 9.6%.	Increase in merchandise export by 2%.	World Bank Economic update reports; National Statistics Office data.
	Export of services as percentage of GDP.	As of end 2019 services export is 10.9%.	Increase in export of services by 2%.	World Bank Economic update reports; National Statistics Office data.
	Number of quality schemes with European standards adopted by economic operators with EU support.	0 (2021).	At least 4.	Annual report of Mongolian Agency for Standardization and Measurement
	Status of development of Cross border e-commerce.	Currently no regulation/policy/platform in place (2021).	Cross-border e-commerce regulation implemented.	Websites of the Parliament and Ministry of Foreign Affairs.

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
	Number of companies using the services (e.g. licenses, certificates) offered by Government and Non-Government institutions under EU REX. ¹⁸	110 companies.	300 companies.	Mongolian National Chamber of Commerce and Industry.
Specific Objective 2.3 (SO2.3): Strengthening domestic revenue mobilisation, public finance management, and fighting against corruption.				
ER 2.3.1: Sustainable public finances and stronger fiscal discipline and operational independence from politics ensured.	Performance on PEFA indicator PI-12 (Public Asset Management).	PI-12: C+ (2021) ¹⁹ .	B+.	PEFA Assessment.
	Performance on PEFA indicator PI-4 (Budget Classification).	PI-4: C (2021) ²⁰ .	B.	
	Performance on PEFA indicator PI-8 (Performance Information for Public Service Delivery).	PI-8: D+ (2021) ²¹ .	C+.	
	Performance on PEFA indicator PI-29 (Annual Financial Reports).	PI-29: D+ (2021) ²² .	C+.	
ER 2.3.2: Gender Responsive Budgeting (GRB) introduced	Status of GRB procedures.	No procedures on GRB (2020); 2-line ministries are piloting GRB (2021).	At least 9-line ministries applied GRB in their budget.	Enacted Budget of Mongolia.
	% of Ministry programmes applying GRB.	No data is available (2021).	At least 50% of the programs of the 9-line ministries are applying GRB.	Enacted Budget of Mongolia.
	Status of development of Climate Public Expenditures and Institutional Review (CPEIR) and climate expenditure tracking system.	CPEIR and climate expenditure tracking system currently not in place (2021).	CPEIR conducted and climate expenditure tracking system designed / operational.	Climate Public Expenditures and Institutional Review.
	Status of development of Ministry of Finance database and reporting systems on government's and donors' allocations on gender focus projects.	Currently no up-to-date database available (2021).	MoF database and reporting systems on government's and donors' allocations on gender focus projects are in place and up-to-date.	Ministry of Finance (MoF)-related database.

¹⁸ There is no statistical evidence about gender at the company-leading level. Through EU-funded interventions, MNCCI will be encouraged to start collecting this information when registering companies.

¹⁹ Preliminary findings from the PEFA assessment in 2021.

²⁰ Preliminary findings from the PEFA assessment in 2021.

²¹ Preliminary findings from the PEFA assessment in 2021.

²² Preliminary findings from the PEFA assessment in 2021.

Expected results	Indicators	Baseline	Targets (2027)	Means of Verification
ER 2.3.3: Accountability is strengthened through enhanced budget transparency, citizen participation and oversight and the use of digital technologies.	Index Score on Transparency in Open Budget Survey.	56/100 (2019).	60/100.	Open Budget Survey.
	Index Score on Public Participation in Open Budget Survey.	15/100 (2019).	20/100.	
	Index Score on Budget Oversight in Open Budget Survey.	80/100 (2019).	85/100.	
	Number of Civil Society-led Social Accountability initiatives supported by the EU.	0 (2021).	At least 2.	Final reports from EU-funded related projects.
ER 2.3.4: Enhanced public investment regulation and activities in Public Investment Management in strategic priorities such as in agriculture, forestry, and energy sectors.	Public Investment Management Assessment (PIMA)—Review and Update by IMF.	Latest report published in 2018.	At least 2 PIMA published during the period.	Public Investment Management Assessment—Review and Update by IMF.
	Number of countries supported by the EU to strengthen investment climate. [EURF 2020, Level 2, Number 16].	0 (2021).	1.	Final reports from EU-funded related projects.

ATTACHMENT 2 - Matrix of donors' contributions in Mongolia

Source: OECD, Query Wizard for International Development Statistics (accessed 30 August 2021). Please note, no data were available from 2020. The data in the table reflect commitments made in 2019.

OECD Sector	Education, Level Unspecified	Basic Education	Secondary Education	Post-Secondary Education	Health, Total	Population Policies / MCH	Water Supply & Sanitation	Government & Civil Society-general	Other Social Infrastructure and Services	Transport & Storage	Communications	Energy Policy	Energy generation, renewable sources	Banking & Financial Services	Business & Other Services	Agriculture	Forestry	Fishing	Industry	Mineral Resources & Mining	Construction	Trade Policies & Regulations	Tourism	General Environment Protection	Humanitarian Aid, Total	Grand Total	
DAC5 sector code	111	112	113	114	120	130	140	151	160	210	220	231	232	240	250	311	312	313	321	332	323	331	332	410	700	Grand Total	
Donors																											
EU, EU Member States																											
EU - INTPA								33	23.88																		56.88
Austria				1.30	3.5							0.022															4.82
Croatia				0.01																							0.01
Czech Republic				0.22			0.01		0.032	0.02				0.01	0.02		0.016	0.02	0.017					0.02			0.39
France	0.002	0.004		0.91	0.02			64.9	0.22							0.007								0.01			66.1
Germany	0.99		6.16	16.80				1.14	0.25					0.1	0.45	3.07			1.35	1.36				17.46			49.13
Hungary				4.34			0.001																				4.34
Italy				0.11																							0.11
Latvia														0.006													0.006
Lithuania				0.001				0.02																			0.021
Luxembourg					1.12									0.10													1.22
Netherlands								1.03																0.03			1.06
Poland				0.003	10.63																						10.63
Slovak Republic				0.03																							0.03
Bilateral Donors																											
Australia	0.05		0.07		0.11	0.07	0.0000 1	0.5	0.18							0.11					1.58				0.03		2.70
Canada								2.4																			2.4
Japan	2.08	0.90	0.53	2.89	4	0.73	0.06	1.71	2.44	2.4	0.06	0.26	0.02	0.91	0.05	1.2	0.04		1.24	0.08		0.035		3.15			24.79
Kazakhstan				0.05																							0.05
Korea	1.36	1.84	0.39	13.48	1.02		4.54	16.00	0.82	0.8	0.73	0.12		0.02		1.24	2.11		1.07	0.01	0.14	0.7	0.18	383.03	1.39		431
New Zealand								0.2																			0.2
Norway				0.19				0.05																			0.24

OECD Sector	Education, Level Unspecified	Basic Education	Secondary Education	Post-Secondary Education	Health, Total	Population Policies / MCH	Water Supply & Sanitation	Government & Civil Society-general	Other Social Infrastructure and Services	Transport & Storage	Communications	Energy Policy	Energy generation, renewable sources	Banking & Financial Services	Business & Other Services	Agriculture	Forestry	Fishing	Industry	Mineral Resources & Mining	Construction	Trade Policies & Regulations	Tourism	General Environment Protection	Humanitarian Aid, Total		
Saudi Arabia				0.01																						0.01	
Switzerland	0.79		1.84	0.14			0.008	11.44	0.009															1.19	0.03	15.45	
Turkey	0.85	0.25	0.024	1.56	0.93			0.49	0.57		0.00048					0.03			0.006				0.02		0.04	4.77	
UK				0.13				0.15																0.14		0.42	
USA		1.99			1.08			2.89								0.1						1.05		0.09	1.07	8.27	
Multilateral donors																											
ADB					12.5		3.42	3.83	0.5	7.22	0.5			0.9		1.47			27.1					8.36			65.8
Global Fund					0.90																						0.90
Global Green Growth Institute (GGGI)												0.32												0.19			0.51
WB									8.96		1.2		0.96	12	8	32.9				3.9			8	10.08			86
UN Agencies																											
FAO																0.45			0.031								0.54
Global Environment Facility (GEF)																								6			6
Green Climate Fund (GCF)								0.6																			0.6
ILO								0.04	1.23																		1.27
UNDP								0.42	0.05			0.015															0.49
UNFPA		0.17				0.36		0.69																	0.0003		1.22
UNICEF	0.03		0.057		0.05			0.04	0.063															0.041	0.07		0.35
WHO					1.45	0.43																			0.10		1.98
Grand Total	6.15	5.15	9.1	42.17	37.31	1.59	8.04	141.5	39.2	10.44	2.49	0.72	1.00	14.05	8.52	40.58	2.17	0.02	34.71	3.03	0.14	9.81	8.54	421.43	2.73	850.71	